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USTR Notifies Congress of Intent to Initiate
Free Trade Talks with Panama

MIAMI - Following a meeting today with President Mireya Moscoso and Trade Minister Joaquín Jácome of Panama, U.S. Trade Representative Robert B. Zoellick formally notified Congress, on behalf of President Bush, of the Administration's intent to initiate negotiations for a free trade agreement (FTA) with the Republic of Panama. Zoellick said the Administration expects to launch negotiations during the second quarter of 2004. Zoellick and trade ministers from 34 countries from throughout the Americas are gathering in Miami this week for a meeting of ministers of the Free Trade Area of the Americas (FTAA).

"This step is a vote of confidence in Panama," Zoellick said. "Panama recovered its democracy some ten years ago, is managing effectively the Panama Canal, and is looking toward the future -- and the United States wants to help Panama succeed."

"Panama serves as an important financial and commercial crossroads in the Western Hemisphere and has one of the most open economies in the region," Zoellick wrote in the letter to Congressional leaders announcing the intention to negotiate the agreement. "U.S. firms play an important role in Panama's largely service-based economy. An FTA will help foster economic growth and create higher paying jobs in the United States by further reducing and eliminating remaining barriers to trade and investment between Panama and the United States. Panama is also a reliable partner in the region, working closely with us to advance our common values and objectives in the World Trade Organization (WTO) and Free Trade Area of the Americas (FTAA) negotiations."

The United States and Panama have long maintained strong economic ties. In 2002, bilateral trade between the United States and Panama totaled \$1.7 billion. U.S. exports accounted for \$1.4 billion of that amount. Nearly half of Panama's total imports come from the United States. In addition, the U.S. holds approximately \$25 billion in foreign direct investment in Panama, with investments in sectors ranging from finance, to maritime, to energy.

In the past year, Panama has made significant progress in resolving important bilateral trade

and investment issues. Negotiating an FTA with Panama will further our efforts to strengthen democracy and support for shared fundamental values throughout the region. The agreement will not only enhance trade, but also promote respect for internationally recognized worker rights, greater respect for the rule of law, sustainable development, and accountable institutions of governance. Strong anti-corruption and transparency requirements in the FTA will help combat corruption. An FTA with Panama is the next logical step in responding to direction from the United States Congress, as expressed in the Caribbean Basin Trade Partnership Act, to conclude comprehensive, mutually advantageous trade agreements with Caribbean Basin countries.

Panama will also serve as an important next step in the Administration's strategy of achieving hemispheric economic integration and dismantling trade barriers in the hemisphere through competitive liberalization. An FTA with Panama will complement the free trade agreement the United States expects to conclude shortly with five of Panama's Central American neighbors, which the Administration plans to broaden next year to include the Dominican Republic. Negotiations with Panama will also support efforts conclude an ambitious FTAA.

A copy of the letter to Congress is available at www.ustr.gov.

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